
Finance Committee

HB 2612

Brief Description: Modifying property tax valuation and notice requirements for county assessors.

Sponsors: Representatives McIntire, Condotta and Chase.

Brief Summary of Bill

- Eliminates the requirement that the property tax valuation change notice show the land and improvement value separately.
- Eliminates requirement for county assessor to value property exempt from property tax.
- Allows digital image technology to satisfy the physical inspection requirement of a county's property tax revaluation plan.

Hearing Date: 1/25/08

Staff: Rick Peterson (786-7150).

Background:

All real and personal property in this state is subject to property tax each year based on its value unless a specific exemption is provided by law. The State Constitution gives the Legislature the power to exempt property from taxation, and a number of exemptions have been enacted.

The county assessor determines assessed value for each property. In addition to listing and value taxable real property, the assessor is required to keep a list of properties that are exempt from property tax. The list includes a description of the property, the owner, and the property's value. Major categories of exempt properties are: publicly owned property, property owned by nonprofit organizations, and private property. Generally, the assessor is not required to place a value on publicly owned property. However, public property that is leased to a private person is subject to the leasehold excise tax. The leasehold excise tax is 12.84 percent of the contract rent. If the contract rent does not reflect market value then the contract rent used for purposes of

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

calculating the tax may be determined from a fair rate of return on the market value of the property. The Department of Revenue or the lessee may request the assessor to value the public property.

Property subject to property tax is assessed at its true and fair value. In most cases, this is the market value in the property's highest and best use. The values are set as of January 1. These values are used for determining property bills to be collected in the following year.

County assessors establish new assessed values on a regular revaluation cycle. The length of revaluation cycles vary by county. Nineteen counties revalue every four years, one county uses a three year revaluation cycle and one county is on a two-year schedule. For these counties proportionate share of the county is revalued during each year of the cycle. Individual property values are not changed during the intervening years of the revaluation cycle. Eighteen counties are on a program of annual updates. Values are adjusted annually based on market value statistical data.

When assessor changes the property value they provide the property owner with a notice of the change. The notice shows the prior and new value and separately states the land and improvement values.

As part of the revaluation plan properties are physically inspected. Physical inspections must be done at least once every four years for counties using four, three, or two year revaluation cycles. Annual revaluation counties must physically inspect each property at least once every six years.

The International Association of Assessing Officers is a nonprofit, educational and research association. It is a professional membership organization of government assessment officials and others interested in the administration of the property tax. The IAAO develops and publishes standards for the various aspects of property taxation and assessment administration. The IAAO standard on the mass appraisal of real property provides for an alternative to periodic on-site inspections. That alternative includes high level street-view images, orthophoto images, and low level oblique images capable of being used for measurement verification.

Summary of Bill:

The property valuation change notice no longer must show the land and improvement value separately.

The county assessor is no longer required to value property that is exempt from property tax. The assessor may value exempt property if a value is required for special or administrative assessments.

Assessors may use digital image technology to satisfy the physical inspection requirement of the county's property tax revaluation plan. The Department of Revenue is directed to develop rules consistent with standards developed by a recognized industry source for property appraisal, assessment administration, and property tax polity.

Appropriation: None.

Fiscal Note: Requested January 15, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.